

## Preparing for tomorrow's supply chain

This is the final article in our series on the future of retail's supply chain. To read more on this topic visit [Retail-Week.com/SupplyChain](http://Retail-Week.com/SupplyChain)



# The supply chain trends to watch

In the final instalment of our series of articles on the future of supply chain, **Simon Jack** asks what retailers can do to get ready

**T**he retail landscape will transform more in the next five years than it has in the past 50 as seismic shifts in consumer behaviour occur.

This will have a profound and far-reaching impact on retailers' supply chain and security strategies in 2017 and beyond.

So what should they be doing now to prepare and what are the most critical areas for future investment? Here, we discover the three biggest trends predicted to have an impact.

### 1. The growth of big data

Big data is critical to retailers' long-term success, both operationally and financially, but how do they turn it to their advantage?

The use of big data to optimise where products are sourced and how they are delivered is certain to become a key component in future supply chains, believes Neil Adcock, consulting partner of supply chain consultants BiS Henderson.

Retailers need to take information from a range of sources, including enterprise resource planning and supply chain systems, along with external geopolitical and environmental databases and social media, in order to better meet shoppers' changing needs, according to Adcock.

"Big data is about bringing together all sources of information and using that to react to customer expectations," he says.

This could be used to decide what stock to hold locally and what to re-order from overseas, or to make sure that promotional activity is supported fully by the logistics operation.

Greater use of geographic information systems (GIS) will also be vital according to Simon Weaver, analytics programme manager at mapping company Esri UK.

Factors such as the size and weight of loads, emissions and fuel costs, along with risks from

geopolitical unrest and natural disasters, can be taken into account to decide the correct mode of transport from particular markets.

"There is a huge untapped potential that many people are not aware of and so much data that could be leveraged," Weaver says.

Many believe that big data could help personalise home deliveries. New Look is already offering one-hour time slots via a system called Precise from DPD and, in future, delivery options based on customer loyalty could be developed.

New Look managing director of group operations Dan Monaghan says measures of return on investment (ROI) per order, rates of denial of delivery and customer satisfaction have all been positive. "In all the direct measures of ROI, we've seen good double-digit growth."

### 2. A new era of collaboration

In order to prosper in a retail environment dictated by consumer demand, it's critical all retailers' supply chains achieve industry-wide collaboration. This will provide their business with the best combination of cost control, quality delivery, and customer satisfaction and loyalty. But how do they achieve that?

Supply chain collaboration offers huge opportunities to both cut costs and improve availability for customers shopping online or in store, according to Siobhán Géhin, managing director of Kurt Salmon.

"Retailers that are most successful are able to share information and interpret it both internally within their organisation and with their different partners: suppliers, third-party logistics providers (3PLs), carriers, etc," Géhin says.

As well as working with suppliers, some retailers are changing their attitude to working with other retailers, according to XPO Logistics



The Entertainer and XPO work together to improve supply chain efficiencies

business unit director, supply chain, Peter Fuller. This could start with sharing transport, but can also encompass sharing warehousing and staff. "The opportunities are potentially enormous," says Fuller.

Toys retailer The Entertainer allows XPO, as its logistics provider, to use spare warehousing and transport capacity for its other clients with different trading patterns, with both companies sharing any extra revenue generated.

The Entertainer logistics director, Steve Williams, explains: "We have a very distinct peak trading period between October and December and some XPO clients have an opposite peak to ours, so we use some of their transport fleet capacity during our peak and they use our resources during their peak."

Retailers can also gain commercial advantages from collaborating with their 3PLs.

Clipper Logistics and John Lewis, for example, last year formed a 50/50 joint venture to provide click-and-collect services to other retailers, with Clipper operating the service and John Lewis providing retail expertise.

Some retailers also work collaboratively with their 3PLs in order to gain efficiencies.

B&Q works with Wincanton and XPO to create what it calls a 'One Team' strategy. The collaboration includes 2,000 colleagues

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**Steve Williams, The Entertainer**

transferred across the three organisations, sharing assets including transport management systems and fleet capabilities, plus opportunities for Wincanton warehouse colleagues to train as large goods vehicle drivers via XPO's driver training programme.

It has resulted in cost savings, higher productivity and environmental benefits.

B&Q believes that in the future there will be increasing scope for working with other retailers. "We have loaned fleets, including drivers, to supermarkets and other retailers – capitalising on their peak Christmas trading period during our off-peak season," says B&Q director of store distribution Kevin Bennett.

### 3. Emerging supply chain threats

Retailers face a growing need to protect themselves against fraud, modern slavery, data breaches and insolvencies among the supplier base, as well as the threat to their brand reputation if suppliers are subcontracting to factories with unacceptable conditions.

Fostering a supply chain that is prepared for and can withstand these threats and can recover rapidly from disruptions is vital for today's complex global supply chain systems.

However, the British Continuity Institute (BCI) claims 40% of firms do not analyse the causes of any disruption to their supply chain and according to former BCI chairman Steve Mellish "supply chain visibility is patchy, even [for] tier 1 suppliers". "Companies are exposed unnecessarily to risk," he adds.

Supply chain consultancy Vendigital director Phil Bulman believes that retailers should counteract this by visiting key suppliers regularly, particularly in low-cost economies such as China, Vietnam or Bangladesh.

"This requires businesses to do much more than stating their expected standards and policies and expecting suppliers to comply," he says.

IT can help – software from Segura requires tier 1 suppliers to record every single purchase order placed on tier 2 and tier 3 suppliers.



### Carsten Dau, partner, Osborne Clarke Germany

"It may sound old-fashioned, but the key to improving supply chain security and at the same time making the most of the business opportunities, lies in having the right contracts in place.

"The trick is to find the right balance between commercial, operational, reputational and legal requirements.

"For instance, contracting with the cheapest supplier may be lucrative in the short term but may turn out costly in the long run, should the supplier collapse and disrupt the entire supply chain.

"Nowadays, we help our clients not only by drafting the best clauses for the best contract, but by building a legal framework that fully utilises the opportunities to help them succeed in this new era of collaboration.

"Ultimately, many retail companies need to work towards a sourcing strategy that puts much more emphasis on the long-term benefits of a collaborative relationship with their suppliers.

"Big data is a key element in this respect, because it will help monitor the relationships more closely than ever.

"And if the data flows are structured in accordance with privacy and competition law requirements, the opportunities to gain a competitive advantage are huge."

This allows retailers to map out their supply chain accurately, says Segura chief marketing officer Kosten Metreweli. "By following the money you gain an excellent idea of what is going on," he says.

Where possible, sourcing domestically could improve supply chain resilience.

Morrisons revealed in February that it was looking for 200 local suppliers, which was partly influenced by a desire not to become over-reliant on food produced elsewhere.

The grocer's *British Food* report, commissioned from Professor Tim Benton at the University of Leeds, found that increased sourcing from the UK would improve the country's overall resilience.

"In the event of interruptions to trade, (whether from currency fluctuations, disrupted trade relationships, or disruption to logistics) we would already have access to a range of locally produced goods," it states. **rw**